



Plan Description

The Deferred Compensation Plan is a written agreement between employees and the City. The agreement allows employees to contribute and invest part of their wages into a voluntary retirement account. Contributions are invested and any earnings and/or interest is tax deferred. Employees have the option of contributing to the program on a pre-tax or after-tax (Roth) basis.

If contributions are made before income tax withholding (pre-tax), all earnings and contributions will be taxed when the money is distributed at a later date. Presumably, employees may be in a lower tax bracket at the time of their retirement or separation from employment and will pay less taxes on the money than if it was received as earnings in the employee's present tax bracket.

If contributions are made after income tax withholding (Roth), earnings and contributions can be withdrawn tax-free as long as certain conditions are met (separation from service, age 59 ½ and invested at least 5 years). Presumably, employees may be in a higher tax bracket at the time of their retirement or separation from employment and pay less in taxes at that time.

Employees can choose to contribute to both options which will provide distribution choices at retirement.

Plan Advantages

The program allows the interest and/or earnings on the employee's invested contributions to accumulate tax-deferred. This deferral of taxes allows the earnings on an employee's investment to accumulate faster than it would if it was taxed in the year it was earned like traditional savings/investment accounts.

The complete text of the Deferred Compensation Plan can be found in Chapter 3.48 of the San Jose Municipal Code.

Management of Deferred Compensation Plan Assets

The Deferred Compensation Advisory Committee (DCAC) oversees and manages the program. The Deferred Compensation Advisory Committee establishes contracts with companies offering appropriate investment vehicles and administration of the Plan.

Employees' contributions are placed in an account established for them with the program provider that the Committee has selected. All payroll deductions and interest and or earnings are credited to the account. All assets are held by the City in trust for the exclusive benefit of the participants and beneficiaries of the Plan.

Employees have control over how and where their money is invested and can move/diversify their investment accounts among the investment options of varying risks and possible returns. However, the final determination of the selection of investment vehicles available at any given time is made at the sole discretion of the Deferred Compensation Advisory Committee.

Maximum / Minimum Amount of Deferral

See the Contribution Limit chart for the maximum annual amount that may be contributed in the current calendar year. The **minimum** amount that may be contributed is \$25 per pay check. Changes to the contribution amount can be made and/or stopped as the employee decides.

Enrollment into the Plan

- Enroll in person with a provider representative. Representatives are available at City Hall each Wednesday from 9:00 to 3:00 and other locations at scheduled times or by appointment. Call Voya local office at (408) 881-0110 for the current schedule or to make an appointment.
- Enroll with the [EZ Enrollment form](#) located on-line through the City's Intranet or Internet.
- Enroll online through [Voya's sponsor site](#).

3-year Catch-Up Provision

There is an exception to the maximum annual contribution limitation rule. During the three (3) years prior to the year designated as the employee's normal retirement age, employees may exceed the current designated annual maximum in order to make-up for years when they did not contribute the maximum amount for which they were eligible.

3-year Catch-Up Provision Rules

Employees may defer the difference between what they were eligible to contribute and what was actually contributed from January 1, 1979 to the present.

- A calculation is required to determine eligibility for this provision. Please contact Voya at 408-881-0110 or benefits@sanjoseca.gov
- The total annual contribution amount during the 3-year Catch-Up period may not exceed twice the normal annual contribution limit in effect for the current year.
- 3-year Catch-Up can begin three years prior to normal retirement age. This provision may be used only once during your employment with the City.

**Catch-Up Provision
for Employees 50
Years and Older**

Individuals who are currently age 50 or older, or who will turn age 50 in the calendar year, may contribute an additional amount to the established annual maximum. See the Deferred Compensation Contribution Limits Chart for current amounts. Participants may not use this provision concurrently with the 3-year Catch-Up Provision

**Military Service
Catch-Up Provision**

The Uniformed Service Employment and Re-employment Act of 1994 (USERRA) provides members of the uniformed service with certain rights regarding employment, retirement and pension benefits, and health benefit coverage. USERRA protects employees who leave for and return from uniformed service within a five-year period, including the reserves of any of the U.S. Armed Services, if certain requirements are met. Missed contributions due to military service can be arranged for deposit into the Deferred Compensation Account after returning to City employment. Contact the Deferred Compensation staff for additional details, benefits@sanjoseca.gov

**Post-Retirement
Earnings**

The employee's Deferred Compensation retirement account may continue to be invested and earn interest after separation from City service although no additional contributions are allowed.

Distribution of funds is allowed after a waiting period of thirty days from the date of separation from the City. To take a distribution contact Voya at 1-800-584-6001.